PROXY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

AND

1991 ANNUAL REPORT

To Our Fellow Shareholders

During 1991, The Kroger Co. was challenged by the most difficult economic and competitive conditions in a decade. The virtual absence of food inflation resulted in lower retail prices for many grocery and perishable categories. Anxiety about the economy caused consumers to trim spending as regional weakness deteriorated into national recession. Heightened competition in several markets, including Dallas, Dayton, and Wichita, required significant investment in merchandising promotions and store service.

Kroger responded to this complex environment with a consistent emphasis upon our strategic goals:

- Protection of market share;
- Reduction of debt and interest expense;
- Enhancement of our retail store base.

Substantial progress toward those goals was achieved in 1991. Kroger's identical food store sales grew by 3%—one of the strongest increases in the retail food industry. Total sales increased 5.4% to $21.4 billion. Operating cash flow reached $968 million, a 1% increase over 1990, and net earnings totaled $79.9 million, or 89 cents per share. Earnings before charges for the early retirement of debt increased 21% to$100.7 million.

The continuing strong cash flow plus proceeds from the sale of convertible bonds enabled Kroger to repurchase high cost securities and reduce total debt by $166.3 million to a year-end level of $4.5 billion. These repurchases, combined with declining interest rates, reduced Kroger's interest costs 4.8% to $531.1 million. We expect a further reduction of interest expense in 1992 to approximately $485-495 million.

Early in 1992, Kroger signed a new bank credit agreement which extends the maturity on senior bank debt by two years and permits the Company to borrow an additional $500 million in senior secured financing. The longer maturity will reduce annual principal payments by about $50 million annually and thereby permit additional retirement of higher cost debt.

Kroger continued to enhance facilities in 1991 by building or expanding 42 stores, opening a new distribution center for our drug/general merchandise operation, and breaking ground for a new distribution center to serve our Louisville retail division.

Operating Strategy for 1992

The economic and competitive climate that was so challenging in 1991 has continued during the early months of 1992. Kroger is addressing these conditions by adhering to our key operating principles:

- *Protection of market share*—Kroger is the market leader, with either the number one or two position in 23 of our 25 major markets. We are similarly well-positioned in most of our smaller markets. Strong market share optimizes advertising and promotion expenditures and increases warehouse and storing efficiencies. Kroger is committed to implementing merchandising and operating programs that will maintain our strong customer base and generate identical store sales increases at least 1% above the general rate of food inflation.
- *Capital investment*—Kroger will continue to enhance our store base. We plan to invest approximately $240-250 million in 1992. This expenditure will fund 35 to 40 new or enlarged stores plus about 75 extensive remodels. Total square footage will increase by approximately 2%.
- *Decentralized operations*—Kroger is responding more quickly to changing competitive and economic conditions by focusing decision making at the division and store level. Divisions negotiate their own labor contracts, develop advertising and merchandising strategies, and propose specific capital spending programs within the framework of corporate capital allocations. In certain markets, Kroger is countering deep-discount competitors with membership club-size merchandise and every day low prices for key drug and beauty care items.
- *Cost reduction*—Company-wide, Kroger is exploring ways to reduce the costs of purchasing, distribution and storage of products. We have implemented partnering programs with several manufacturers to improve inventory ordering. Our information system technology has been targeted to improve efficiency in store scanning, record keeping, ordering, and labor scheduling.

Cost discipline is considerably enhanced by the Company's employee incentive programs. Total compensation for most employees is linked to the achievement of annual sales and cash flow targets. In addition, through stock purchases and Company benefit plans, employees own about 35% of Kroger's common stock. These two incentives motivate Kroger employees at every location—stores, distribution centers, manufacturing plants, and offices—to maintain a cost efficient, highly productive work environment.

- *Kroger label manufacturing*—Kroger's 37 manufacturing and processing facilities produce a broad array of private label products for our retail dairy cases, bakeries, delicatessens, and grocery aisles.

Consumers are expressing an increased preference for value offered by these products. Kroger-brand items accounted for 20% of grocery sales in 1991.

Financial Strategy

Kroger is aggressively reducing interest expense by replacing high cost with lower-cost debt issues. We are implementing this strategy through the early retirement of debt by open market purchases and redemptions. During 1991, the Company repurchased $303.8 million face amount of the Junior Subordinated Discount Debentures, $59.3 million of Senior Subordinated Debentures, and $64.2 million of Subordinated Debentures.

As conditions permit, we will continue to repurchase these securities. In February 1992, Kroger's Board of Directors authorized the Company to redeem up to $100 million of the Senior Subordinated and Subordinated Debentures. We have also filed a shelf registration covering proposed public offerings of up to $750 million of debt securities. Proceeds from the sale of these securities will be used to repurchase or repay higher cost debt.

Community Involvement

During 1991, Kroger employees invested thousands of hours to work in their communities as tutors for inner-city children, campaigners for the Muscular Dystrophy Association and United Way, servers in soup kitchens, participants in Heart Association races, and volunteers in scores of other community service programs.

The Company's support of charitable, civic, educational, and cultural organizations continued to increase during 1991. Through the Kroger Foundation, grants of more than $4.4 million were given to local non-profit activities.

Kroger's response to environmental concerns broadened in scope during the year. Recycling programs in each of the Company's retail divisions expanded in both volume and customer participation. The Louisville Marketing Area was awarded a prestigious Presidential Citation for its extensive environmental awareness programs.

Executive Changes

In May, two new Directors were elected to three-year terms on the Kroger Board of Directors. Joining the Board were Mr. Reuben V. Anderson, an attorney and former Justice of the Mississippi Supreme Court, and Dr. Martha Romayne Seger, a former Member of the Board of Governors of the Federal Reserve System.

Mr. Otis M. Smith, a Director since 1983, reached the mandatory retirement age of 70. Mr. Smith has been a valued associate who provided the Company with sound business counsel and strong convictions about the social responsibilities of public corporations. He served Kroger's shareholders wisely and well.

Mr. Charles Frey, the co-founder and President of Turkey Hill Dairy, retired and was succeeded as President by Mr. Quintin Frey. Turkey Hill Dairy, based in Conestoga, Pennsylvania, is operated by Dillon Companies.

The Year Ahead

Consumers today need—and expect—good *value* at the grocery store. Kroger's overriding priority remains focused upon serving the needs of our customers with reasonable prices, broad variety, high quality and helpful service—all the components of value-based retailing.

This focus has been the heart of Kroger's strategy for well over 100 years. It has succeeded in the face of changing economic and competitive conditions. We firmly believe that this strategy will continue to generate improved sales, earnings, and satisfaction for our customers, employees, and shareholders.

Joseph A. Pichler

JOSEPH A. PICHLER
Chairman and
Chief Executive Officer

Richard L. Bere

RICHARD L. BERE
President and
Chief Operating Officer

PROXY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Cincinnati, Ohio, April 6, 1992

To All Shareholders
of The Kroger Co.:

The annual meeting of shareholders of The Kroger Co. will be held at the CLARION HOTEL, 141 WEST SIXTH STREET, Cincinnati, Ohio, on May 21, 1992, at 10 A.M., for the following purposes:

1. To elect four directors to serve until the annual meeting of shareholders in 1995 or until their successors have been elected and qualified;
2. To consider and act upon a proposal to ratify the selection of auditors for the Company for the year 1992; and
3. To transact such other business as may properly be brought before the meeting; all as set forth in the Proxy Statement accompanying this Notice.

Holders of common shares of record at the close of business on March 23, 1992, will be entitled to vote at the meeting.

YOUR MANAGEMENT DESIRES TO HAVE A LARGE NUMBER OF THE SHAREHOLDERS REPRESENTED AT THE MEETING, IN PERSON OR BY PROXY. PLEASE SIGN AND DATE THE ENCLOSED PROXY AND MAIL IT AT ONCE IN THE ENCLOSED SELF-ADDRESSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.

By order of the Board of Directors,
Norma Skoog, Secretary

PROXY STATEMENT

Cincinnati, Ohio, April 6, 1992

The accompanying proxy is solicited by the Board of Directors of The Kroger Co., and the cost of solicitation will be borne by the Company. The Company will reimburse banks, brokers, nominees, and other fiduciaries for postage and reasonable expenses incurred by them in forwarding the proxy material to their principals. The Company has retained Hill & Knowlton, Inc., 420 Lexington Avenue, New York, New York to assist in the solicitation of proxies and will pay such firm a fee estimated at present not to exceed $15,000. Proxies may be solicited personally, or by telephone, as well as by use of the mails.

Joseph A. Pichler, Ray E. Dillon, Jr. and T. Ballard Morton, Jr., all of whom are directors of the Company, have been named members of the Proxy Committee.

The principal executive offices of The Kroger Co. are located at 1014 Vine Street, Cincinnati, Ohio 45202-1100. Its telephone number is 513-762-4000. This Proxy Statement and Annual Report, and the accompanying proxy, were first sent or given to shareholders on April 6, 1992.

As of the close of business on March 23, 1992, the Company's outstanding voting securities consisted of 88,151,543 shares of common stock, the holders of which will be entitled to one vote per share at the annual meeting. The shares represented by each proxy will be voted unless the proxy is revoked before it is exercised. Revocation may be in writing to the Secretary of the Company or in person at the meeting. The laws of Ohio, under which the Company is organized, provide for cumulative voting. If notice in writing is given by any shareholder to the President, a Vice President, or the Secretary of the Company not less than 48 hours before the time fixed for holding the meeting that the shareholder intends to cumulate votes for the election of directors and if an announcement of the giving of such notice is made by or on behalf of any such shareholder or by the Chairman or Secretary upon the convening of the meeting, each shareholder shall have the right to cumulate votes at such election. If cumulative voting is in effect, a shareholder voting for the election of directors may cast a number of votes equal to four times the number of shares held on the record date for a single nominee or divide them among the nominees in full votes in any manner. Any vote "FOR" the election of directors will constitute discretionary authority to the Proxy Committee to cumulate votes to which such proxies relate as it, in its discretion, shall determine, if cumulative voting is requested.

Proposals To Shareholders

Election Of Directors
(Item No. 1)

The Board of Directors, as now authorized, consists of fourteen members divided into three classes. Four directors are to be elected at the annual meeting to serve until the annual meeting in 1995 or until their successors have been elected by the shareholders, or by the Board of Directors pursuant to the Company's Regulations, and qualified. The committee memberships stated below are for the year 1992. It is intended that the accompanying proxy will be voted for the election of the following four persons:

Name	Professional Occupation (1)	Age	Director Since
	Directors Whose Terms of Office Continue Until 1995		
John L. Clendenin	Mr. Clendenin is Chairman of the Board and Chief Executive Officer of BellSouth Corporation, a holding company with subsidiaries in the telecommunications business. He is a director of Wachovia Corp.; Equifax Incorporated; National Service Industries, Inc.; Capital Holding Corporation; Springs Industries, Inc.; and Coca Cola Enterprises, Inc. Mr. Clendenin is chair of the Audit Committee and vice chair of the Corporate Responsibility Committee.	57	1986
Ray E. Dillon, Jr.	Mr. Dillon is Chairman Emeritus of the Board of Dillon Companies, Inc., a wholly-owned subsidiary of Kroger. He is a director of Polaris Financial Co. Mr. Dillon is chair of the Financial Policy Committee and a member of the Audit Committee. (2)	67	1983
Patricia Shontz Longe	Dr. Longe is an Economist and a Senior Partner of The Longe Company, an economic consulting and investment firm. She is a director of The Detroit Edison Company; Jacobson Stores, Inc.; Manufacturers National Corp.; Manufacturers National Bank of Detroit; Manufacturers Bank and Trust of Florida; and Warner-Lambert Company. Dr. Longe is chair of the Compensation Committee and a member of the Audit Committee.	58	1977
Thomas H. O'Leary	Mr. O'Leary is Chairman, President and Chief Executive Officer of Burlington Resources, Inc., a natural resources business. He is a director of The BFGoodrich Company; El Paso Natural Gas Company; and Plum Creek Management Company. Mr. O'Leary is vice chair of the Nominating Committee and a member of the Compensation Committee.	58	1977

Name	Professional Occupation (1)	Age	Director Since
	DIRECTORS WHOSE TERMS OF OFFICE CONTINUE UNTIL 1994		
Reuben V. Anderson	Mr. Anderson is a member, in the Jackson, Mississippi office, of Phelps Dunbar, a New Orleans law firm. Prior to joining this law firm, he was a justice of the Supreme Court of Mississippi beginning in 1985. Mr. Anderson is a member of the Audit and Corporate Responsibility Committees.	49	1991
Richard L. Bere	Mr. Bere is President and Chief Operating Officer of Kroger. He is vice chair of the Executive Committee and a member of the Corporate Responsibility Committee.	60	1990
Raymond B. Carey, Jr.	Mr. Carey is a retired Chairman of the Board and Chief Executive Officer of ADT, Inc., an electronic protection company. He is a director of Thomas & Betts Corporation; Hansome Energy Systems, Inc.; and C.R. Bard. Mr. Carey is vice chair of the Compensation Committee and a member of the Executive and Corporate Responsibility Committees.	65	1977
John D. Ong	Mr. Ong is Chairman and Chief Executive Officer of The BFGoodrich Company, a chemical and aerospace company. He is a director of Cooper Industries, Inc.; Ameritech Corporation; and ASARCO Inc. Mr. Ong is chair of the Nominating Committee and a member of the Financial Policy Committee.	58	1975
Joseph A. Pichler	Mr. Pichler is Chairman of the Board and Chief Executive Officer of Kroger. He is a director of The BFGoodrich Company. Mr. Pichler is chair of the Executive Committee and a member of the Financial Policy and Nominating Committees.	52	1983
Martha Romayne Seger	Dr. Seger joined the faculty of the University of Arizona in 1991. She had been a member of the Board of Governors of the Federal Reserve System since 1984. She is a director of Amerisure Companies; Amoco Corporation; Capital Holding Corporation; Fluor Corporation; Johnson Controls, Inc.; and Xerox Corporation. Dr. Seger is a member of the Financial Policy and Nominating Committees.	60	1991

Name	Professional Occupation (1)	Age	Director Since
	DIRECTORS WHOSE TERMS OF OFFICE CONTINUE UNTIL 1993		
Richard W. Dillon	Mr. Dillon is Chairman of the Board of Dillon Companies, Inc., a wholly-owned subsidiary of Kroger. Mr. Dillon is chair of the Corporate Responsibility Committee. (2)	64	1983
Lyle Everingham	Mr. Everingham is the retired Chairman of the Board and Chief Executive Officer of Kroger. He is a director of Federated Stores, Inc.; Cincinnati Milacron Inc.; and Capital Holding Corporation. Mr. Everingham is a member of the Financial Policy and Nominating Committees.	65	1970
John T. LaMacchia	Mr. LaMacchia is President, Chief Operating Officer, and a director of Cincinnati Bell Inc., a telecommunications holding company. He is a director of Multimedia, Inc. Mr. LaMacchia is vice chair of the Audit Committee and a member of the Compensation and Executive Committees.	50	1990
T. Ballard Morton, Jr.	Mr. Morton is Executive in Residence of the School of Business of the University of Louisville. He is a director of Citizens Fidelity Corp.; Citizens Fidelity Bank & Trust Co.; Louisville Gas & Electric Co.; and PNC Financial Corp. Mr. Morton is vice chair of the Financial Policy Committee and a member of the Executive and Nominating Committees.	59	1968

(1) Except as noted, each of the directors has been employed by his or her present employer (or a subsidiary) in an executive capacity for at least five years.

(2) Ray E. Dillon, Jr. and Richard W. Dillon are brothers.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

DIRECTORS' COMPENSATION

Each non-employee director is currently paid an annual retainer of $23,000 plus fees of $1,500 for each board meeting and $1,000 for each committee meeting attended. Committee chairs receive an additional annual retainer of $3,500. Directors who are employees of the Company do not receive any compensation for service as directors. The Company provides accidental death and disability insurance for directors at a cost to the Company in 1991 of $175 per director. The Company also provides a major medical plan for directors.

The Company has an unfunded retirement program for outside directors. The retirement benefit is the average compensation for the five calendar years preceding retirement. Directors who retire from the Board prior to age 70 will be credited with 50% vesting after five years of service and an additional 10% for each year served thereafter. Benefits for directors who retire prior to age 70 will commence at the time of retirement from the Board or age 65, whichever comes later.

COMMITTEES OF THE BOARD

The Board of Directors has a number of standing committees including Audit, Nominating and Compensation Committees. During 1991, the Audit Committee met three times, the Nominating Committee met two times, and the Compensation Committee met four times. Committee memberships are shown on pages 4 through 6 of this Proxy Statement. The Audit Committee reviews external and internal auditing matters and is responsible for the selection of the Company's independent auditors subject to the approval of the Board and ratification by shareholders. The Compensation Committee determines the compensation of the Company's senior management and administers its stock option and benefit programs. The Nominating Committee is responsible for developing criteria for selecting and retaining members of the Board and seeks out qualified candidates. The Board of Directors met seven times in 1991.

The Nominating Committee will consider shareholder recommendations for nominees for membership on the Board of Directors. Recommendations intended for inclusion in the Company's proxy material relating to the Company's annual meeting in May 1993, together with a description of the proposed nominee's qualifications and other relevant information, must be submitted in writing to Norma Skoog, Secretary of the Company, and received at the Company's executive offices not later than December 7, 1992.

CERTAIN TRANSACTIONS

No member of the immediate family of any director had a material interest in any transaction with the Company in 1991, except as follows. The Company purchased certain seafood and private label products to be sold in Company stores from suppliers represented by two firms in which Mr. Everingham's son, Mark Everingham, owned a 45% and 42.5% interest, respectively. The two firms earned gross revenues of approximately $5,277,000 in fees paid by the suppliers for services performed by the firms on behalf of the suppliers. The management of the Company views these transactions, and the amounts paid for the goods supplied, as fair and competitive.

In 1989, Ray E. Dillon, Jr. and Richard W. Dillon purchased and leased back to the Company eight convenience stores for approximately $3 million. These convenience stores were part of a group of convenience stores offered for sale and leaseback to the public on identical terms, and the stores purchased by the Dillons first were offered publicly on those terms. During 1991, Ray E. Dillon, Jr. received $202,585 from the Company as rent for five of these stores and Richard W. Dillon received $79,293 from the Company as rent for the other three stores. The management of the Company has determined that the terms of the transaction were developed at arm's length and are fair and competitive, and that the sale and leaseback of those convenience stores is in the best interests of the Company.

In addition, the law firm of Phelps Dunbar, of which Reuben V. Anderson is a partner, rendered legal services to the Company which resulted in fees paid to the law firm by the Company in 1991 of $83,900. The management of the Company has determined that these amounts paid by the Company for the services supplied are fair and competitive.

Compensation Of Executive Officers

Cash Compensation

The following tabulation shows the compensation paid to or set aside for the benefit of the five most highly compensated executive officers of the Company and all executive officers as a group for the time during 1991 that they were executive officers of the Company.

Name of Individual or Number of Persons in Group	Capacities in Which Served	Cash Compensation 1991(1)	1990(2)
Joseph A. Pichler	Chairman of the Board and Chief Executive Officer	$ 600,393	$ 763,450
Richard L. Bere	President and Chief Operating Officer	435,666	429,794
William J. Sinkula	Executive Vice President and Chief Financial Officer	358,272	457,440
David B. Dillon	Executive Vice President	354,483	408,248
Patrick J. Kenney	Senior Vice President	280,026	368,803
14 Executive Officers as a group (including those named above)		$4,001,594	$4,586,485

(1) Amounts set forth in this column include salaries and cash bonuses paid during 1992 for services rendered during 1991.

(2) Amounts set forth in this column include salaries and cash bonuses paid during 1991 for services rendered during 1990 for the thirteen executive officers who served in both 1991 and 1990.

Compensation received other than in cash or pursuant to compensation plans did not exceed $25,000 or 10% of the reported compensation in 1991 with respect to each executive officer named in the table, and in the case of the group did not exceed $375,000 or 10% of the total aggregate compensation for 1991.

Compensation Pursuant To Plans

The Company maintains various benefit plans which are available to management and certain other employees. The Company derives the benefit of certain tax deductions as a result of its contributions to some of the plans. Each of the executive officers of the Company was eligible to participate in one or more of the following plans.

The Kroger Co. Savings Plan

The Kroger Co. Savings Plan is a savings plan established pursuant to Section 401(k) of the Internal Revenue Code. Management, administrative and hourly employees who are at least 21 years old, who have completed one year of service with the Company, and who meet certain minimum compensation requirements are eligible to participate in the plan. Participants in the plan may defer a portion of their compensation and direct the investment of those funds among three alternatives: 1) an Income Fund with a fixed rate of return based on insurance investment contracts and quasi-governmental instruments; 2) an Equity Fund invested in an S&P 500 Index fund; and 3) a Common Stock Fund invested in Kroger Common Stock. Upon termination of employment, a participant in the plan or his or her beneficiary is entitled to a distribution of the fair market value of all amounts invested in the three funds on behalf of the participant. Participants may also withdraw or borrow up to specified amounts from the plan while employed.

For the 1992 fiscal year, the Company will make a 10% matching contribution in the form of Kroger stock for employee savings in the Kroger Common Stock Fund. The Company will also make a supplemental matching contribution in the form of Kroger stock on employee savings in all three funds if the Company achieves specified levels of earnings before interest, taxes, depreciation and LIFO charge ("EBITD"). The maximum matching contribution would be 20% of the employee's contributions if the Company achieves $1,125,303,300 of EBITD.

The Company also maintains The Kroger Co. Savings Plan for Bargaining Unit Employees which has substantially the same terms as described above. The Company has also established the same matching contributions for 1992 for this plan.

Executive Benefit Protection Group Life Insurance Plan

The Company maintains Executive Benefit Protection Group Life Insurance and Supplemental Death Benefit Plans for certain executive officers and other key executive employees selected by the Compensation Committee of the Board of Directors. The Plans provide for the sharing of policy premium payments by the participant and the Company, and the sharing of policy proceeds by the participant's beneficiary and the Company. There were no amounts expensed during 1991 with respect to these Plans for Messrs. Pichler, Bere, Sinkula, and Kenney, nor were any amounts expensed for all executive officers as a group. Participants were required to make payments in 1991 to purchase insurance. Mr. David Dillon does not participate in these Plans.

The Kroger Co. Employee Protection Plan

The Company adopted The Kroger Co. Employee Protection Plan ("KEPP") during fiscal 1988. All management employees, including the executive officers, and administrative support personnel of the Company with at least one year of service are covered. KEPP provides for severance benefits and the extension of Company paid health care in the event an eligible employee actually or constructively is terminated from employment without cause within two years following a change of control of the Company (as defined in the plan). For persons over 40 years of age with more than six years of service, severance pay ranges from approximately 9 to 18 months' salary and bonus, depending upon Company pay level and other benefits. KEPP may be amended or terminated by the Board of Directors at any time prior to a change of control.

Pension Plans

The Company maintains the Kroger Retirement Benefit Plan, a defined benefit plan, to provide pension benefits to retired or disabled management employees. The Plan generally provides for benefits at age 62 or later equal to 1½% times the years of service, after attaining age 21, times the highest average earnings for any period of five consecutive years during the ten calendar years preceding retirement, less an offset tied to Social Security benefits. The Company also maintains an Excess Benefits Plan under which the Company pays benefits under this formula which exceed the maximum benefit payable under ERISA by defined benefit plans. Remuneration earned by Messrs. Pichler, Bere, Sinkula and Kenney in 1991, which was covered by the Plan was $759,991, $516,190, $447,406 and $334,375, respectively. As of December 28, 1991, they had 4, 34, 12, and 30 years of credited service, respectively. The following table gives examples of annual retirement benefits payable on a straight-life basis under the Company's retirement program.

Five Year Average Remuneration	Years of Service After Age 21				
	20	25	30	35	40
$150,000	$ 45,000	$ 56,250	$ 67,500	$ 78,750	$ 90,000
250,000	75,000	93,750	112,500	131,250	150,000
450,000	135,000	168,750	202,500	236,250	270,000
650,000	195,000	243,750	292,500	341,250	390,000
850,000	255,000	318,750	382,500	446,250	510,000
900,000	270,000	337,500	405,000	472,500	540,000

No deductions have been made in the above table for offsets tied to Social Security benefits.

Dillon Plans

Dillon Companies, Inc. and its subsidiaries maintain pension, profit sharing, stock ownership, and savings plans that provide benefits at levels comparable to the plans described above. David B. Dillon participates in these plans. In addition, Mr. Pichler has six years of credited service under certain of the pension and profit sharing plans, but no further credited service will be accrued for him under such plans.

Under the Dillon Profit Sharing and Savings Plans, Dillon and each of its subsidiaries contributes a certain percentage of its net income, determined annually, to its plans to be allocated among its participating employees based on the percent each such participating employee's total compensation bears to the total compensation of all participating employees employed by such entity. On a participating employee's termination after the age of 60 (or prior thereto after 7 years of service), death or disability, he is entitled to his full account balance. To update and supplement these plans, Dillon and several of its subsidiaries have adopted Minimum Benefit Pension Plans for their eligible employees. Under these plans, the normal retirement benefit for eligible employees is a certain percentage of average compensation during a certain period of employment multiplied by the years of credited service (in some of these plans there is a maximum period of credited service), minus the benefit provided by the Profit Sharing and Savings Plans. The amounts contributed by Dillon and its subsidiaries pursuant to these Minimum Benefit Pension Plans is not readily ascertainable for any individual, and thus is not set forth with respect to Mr. Dillon. Mr. Dillon has 16 years of credited service.

The following table shows the estimated annual pension payable upon retirement to persons covered by Dillon's Profit Sharing and Savings Plans and Dillon's Minimum Benefit Pension Plans.

Average Compensation	Years of Service 20	25	30	35	40
$150,000	$ 30,000	$ 37,500	$ 45,000	$ 52,500	$ 60,000
250,000	50,000	62,500	75,000	87,500	100,000
300,000	60,000	75,000	90,000	105,000	120,000
400,000	80,000	100,000	120,000	140,000	160,000
500,000	100,000	125,000	150,000	175,000	200,000

Stock Options

The Company has granted stock options and restricted stock to the executive officers under several employee stock option plans which were approved previously by shareholders. The plans are administered by the Compensation Committee of the Board of Directors, and all officers and executives of the Company and its subsidiaries are eligible to participate in the plans. Both non-qualified and incentive stock options may be granted under the Company's shareholder-approved stock option plans, and options may be granted with or without stock appreciation rights. Options normally are fully exercisable after six months and expire ten years from the date of grant. The purchase price of shares acquired upon exercise of options is equal to the fair market value of the shares at the time of grant. Stock appreciation rights entitle the optionee to a cash payment or the equivalent value in stock equal to the difference between the current market price of a share of the Company's common stock and the option price. Restricted stock may be granted by the Compensation Committee and is subject to absolute restriction on sale, pledge or other transfer so long as the restrictions are in force. If the holder of restricted stock terminates his or her employment with the Company prior to the lapse of the restriction, ownership of the stock is forfeited to the extent that the restrictions have not lapsed. The holder of the restricted stock is entitled to receive dividends and to vote the shares. In the event that a change of control of the Company occurs, all options become immediately exercisable and all restrictions on restricted stock lapse.

In 1988, the Board of Directors amended the plans to permit the Compensation Committee to grant limited stock appreciation rights to executive officers of the Company in tandem with outstanding or newly granted stock options. Limited stock appreciation rights permit the holder to receive the spread between the market price and exercise price upon the exercise of the options following a change of control of the Company. Limited stock appreciation rights operate in tandem with the related stock options and the exercise of one extinguishes any rights with respect to the other. In 1988 the Compensation Committee granted limited stock appreciation rights with respect to all then outstanding stock options granted to executive officers.

The following tabulation sets forth pertinent information with respect to all options granted or exercised during the period December 29, 1990, through December 28, 1991, pursuant to the 1981 Stock Option Plan, the 1985 Stock Incentive Plan, and the 1990 Executive Stock Option Plan with respect to the five executive officers listed below and all persons, as a group, serving as executive officers on February 1, 1992, including transactions when said persons did not hold such office.

	Options Granted	
Name	**Number of Options (1)**	**Average Per Share Exercise Price**
Joseph A. Pichler	20,000	$23.44
Richard L. Bere	16,000	23.44
William J. Sinkula	13,500	23.44
David B. Dillon	13,000	23.44
Patrick J. Kenney	13,000	23.44
14 Executive Officers as a group (including those named above)	183,500	$23.13

(1) As of February 1, 1992, there were no stock appreciation rights or limited stock appreciation rights outstanding.

These figures may include options granted during this time period which have been exercised as of February 1, 1992.

In addition, other employees of the Company were granted options during this period for 1,999,370 shares at an average price of $23.1684 per share. As of February 1, 1992, options for 6,952, 125,980, and 1,482,100 shares may be granted under the 1981, 1985 and 1990 plans, respectively.

During this same period no restricted shares were granted to Messrs. Pichler, Bere, Sinkula, Dillon Kenney, and 20,000 restricted shares were granted to all executive officers as a group.

During 1991, Messrs. Pichler, Bere, Sinkula, Dillon and Kenney, and all the executive officers as a group received $91,354, $0, $0, $0, $0, and $91,354, respectively, for stock options they exercised. These amounts were based on the spread between the market price and the option price on the date of exercise.

The Company also maintains stock option plans which cover employees who are not executives. These plans operate similarly to the ones described above and are administered by a committee of employees not eligible to receive options under these plans.

Employment Contracts

The Company entered into an employment agreement with Mr. Pichler dated June 17, 1990. During his employment, the Company agrees to pay Mr. Pichler at least $400,000 a year, unless the amount is reduced due to adverse business conditions. Mr. Pichler's employment may be terminated earlier at the discretion of the Board of Directors. The contract also provides that the Company will continue, for five years, to pay Mr. Pichler's salary to him or his beneficiary in the event Mr. Pichler's employment terminates prior to October 4, 2015, if the termination of employment results from his death or involuntary separation. After his termination of employment for any reason after age 62 if he is not entitled to receive the five years of salary continuation described above, Mr. Pichler will, in exchange for his availability to provide certain consulting services, then receive each year until his death an amount equal to 25% of the highest salary paid him during the term of this agreement.

Beneficial Ownership Of Common Stock

As of February 1, 1992, the directors of the Company, and the directors and executive officers as a group, beneficially owned shares of the Company's common stock as follows:

Name	Amount and Nature of Beneficial Ownership	
Reuben V. Anderson	700	
Richard L. Bere	87,854.2726	(7)(8)
Raymond B. Carey, Jr.	2,000	
John L. Clendenin	400	
Ray E. Dillon, Jr.	121,800	(1)
Richard W. Dillon	252,550	(2)
Lyle Everingham	372,782.917	(3)(7)(8)
John T. LaMacchia	1,000	
Patricia Shontz Longe	4,000	
T. Ballard Morton, Jr.	10,000	
Thomas H. O'Leary	800	
John D. Ong	400	
Joseph A. Pichler	228,922.3514	(4)(7)(8)
Martha Romayne Seger	0	
Directors and Officers as a group (including those named above)	1,598,055.752	(5)(6)(7)(8)

(1) This amount does not include 138,200 shares owned by Mr. Ray E. Dillon, Jr.'s wife; or 489,800 in his father's trust of which he and Richard W. Dillon are co-trustees. Mr. Dillon disclaims beneficial ownership of these shares.

(2) This amount does not include 95,116 shares owned by Mr. Richard Dillon's wife; or 489,800 in his father's trust of which he and Ray E. Dillon, Jr. are co-trustees. Mr. Dillon disclaims beneficial ownership of these shares.

(3) This amount does not include 49,436 shares owned by Mr. Everingham's wife. Mr. Everingham disclaims beneficial ownership of these shares.

(4) This amount does not include 705 shares owned by Mr. Pichler's wife, or 3,064 shares owned by his children. Mr. Pichler disclaims beneficial ownership of these shares.

(5) The figure shown does not include an aggregate of 23,658.30 additional shares held by, or for the benefit of, the immediate families or other relatives of all directors and officers as a group not previously listed above. In each case the director or officer disclaims beneficial ownership of such shares.

(6) No director or officer owned as much as 1% of common stock of the Company. The directors and officers as a group beneficially owned 3.5% of common stock of the Company.

(7) This amount does not include shares which represent options exercisable on or before March 31, 1992, in the following amounts: Mr. Bere, 84,777; Mr. Everingham, 267,040; Mr. Pichler, 172,080; and all directors and officers as a group, 1,400,411.

(8) The fractional interest results from allocations under Kroger's 401(k) plan and Dillon's ESOP and 401(k) plan.

As of February 1, 1992, the following persons reported beneficial ownership of the Company's common stock as follows:

Name	Address	Number of Shares	Percentage of Class
The Kroger Co. Savings Plan	1014 Vine Street Cincinnati, OH 45202-1100	9,282,700	10.5%
Janus Capital Corporation	100 Fillmore Street Suite 300 Denver, CO 80206-9916	8,266,700	9.4
The Dillon Cos. Employee Master Trust	700 East 30th Street Hutchinson, KS 67052	7,433,900	8.4
The Kroger Co. Employee Stock Purchase Plan	1014 Vine Street Cincinnati, OH 45202-1100	4,700,300	5.3
The Kroger Co. Savings Plan for Bargaining Unit Employees	1014 Vine Street Cincinnati, OH 45202-1100	4,413,900	5.0

The Company knows of no additional persons owning more than 5% of the Company's common stock.

Selection Of Auditors
(Item No. 2)

The Board of Directors, on February 6, 1992, appointed the firm of Coopers & Lybrand as Company auditors for 1992, subject to ratification by shareholders. This appointment was recommended by the Company's Audit Committee, comprised of directors who are not employees of the Company. If the firm is unable for any reason to perform these services, other independent auditors will be selected to serve for the remainder of the year. Ratification of this appointment requires the adoption of the following resolution by the affirmative vote of the holders of a majority of the shares represented at the meeting:

"RESOLVED, That the appointment by the Board of Directors of Coopers & Lybrand as Company auditors for 1992 be and it hereby is ratified."

Fees for all audit services provided by Coopers & Lybrand in 1991 totaled $701,264. In addition, fees totaling $111,369 were charged for non-audit services.

A representative of Coopers & Lybrand is expected to be present at the meeting to respond to appropriate questions and to make a statement if he desires to do so.

THE BOARD OF DIRECTORS AND MANAGEMENT RECOMMEND A VOTE FOR THIS PROPOSAL.

SHAREHOLDER PROPOSALS—1993 ANNUAL MEETING. Shareholder proposals intended for inclusion in the Company's proxy material relating to the Company's annual meeting in May 1993 should be addressed to the Secretary of the Company and must be received at the Company's executive offices not later than December 7, 1992.

Attached to this Proxy Statement is the Company's 1991 Annual Report which includes a brief description of the Company's business indicating the general scope and nature of such business during 1991, together with the audited financial information contained in the Company's 1991 report to the Securities and Exchange Commission on Form 10-K.

A copy of that report is available to shareholders on request by writing: Lawrence M. Turner, Treasurer, The Kroger Co., 1014 Vine Street, Cincinnati, Ohio 45202-1100 or by calling 1-513-762-1220.

The management knows of no other matters that are to be presented at the meeting but, if any should be presented, the Proxy Committee expects to vote thereon according to its best judgment.

By order of the Board of Directors,

Norma Skoog, Secretary

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Kroger Co. has the responsibility for preparing the accompanying financial statements and for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and are not misstated due to material error or fraud. The financial statements include amounts that are based on management's best estimates and judgements. Management also prepared the other information in the report and is responsible for its accuracy and consistency with the financial statements.

The Company's financial statements have been audited by Coopers & Lybrand, independent certified public accountants, elected by the shareholders. Management has made available to Coopers & Lybrand all the Company's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all representations made to Coopers & Lybrand during its audit were valid and appropriate.

Management of the Company has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. The system of internal control provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process and updated as necessary. Management continually monitors the system of internal control for compliance. The Company maintains a strong internal auditing program that independently assesses the effectiveness of the internal controls and recommends possible improvements thereto. In addition, as part of its audit of the Company's financial statements, Coopers & Lybrand completed a review of selected internal accounting controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. Management has considered the internal auditor's and Coopers & Lybrand's recommendations concerning the Company's system of internal control and has taken actions that we believe are cost-effective in the circumstances to respond appropriately to these recommendations. Management believes that, as of December 28, 1991, the Company's system of internal control is adequate to accomplish the objectives discussed herein.

Management also recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the Company's code of corporate conduct, which is publicized throughout the Company. The code of conduct addresses, among other things, the necessity of ensuring open communication within the Company; potential conflicts of interests; compliance with all domestic and foreign laws, including those relating to financial disclosure; and the confidentiality of proprietary information. The Company maintains a systematic program to assess compliance with these policies.

Joseph A. Pichler
Chairman of the Board and
Chief Executive Officer

William J. Sinkula
Executive Vice President and
Chief Financial Officer

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee of the Board of Directors is composed of six independent directors. The committee held three meetings during fiscal year 1991. In addition, members of the committee received and reviewed various reports from the Company's internal auditor and from Coopers & Lybrand throughout the year.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the Committee recommended to the Board of Directors, subject to shareowner approval, the selection of the Company's independent public accountant, Coopers & Lybrand. The Audit Committee discussed with the Company's internal auditor and Coopers & Lybrand the overall scope and specific plans for their respective audits. The committee also discussed the Company's consolidated financial statements and the adequacy of the Company's internal controls. At each meeting, the committee met with the Company's internal auditor and Coopers & Lybrand, in each case without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The meetings also were designed to facilitate any private communications with the committee desired by the Company's internal auditor or Coopers & Lybrand.

John L. Clendenin
Chairman—Audit Committee

THE COMPANY

The Kroger Co. (the "Company") was founded in 1883 and incorporated in 1902. The Company is one of the largest grocery retailers in the United States. The Company also manufactures and processes food for sale by its supermarkets. The Company's principal executive offices are located at 1014 Vine Street, Cincinnati, Ohio, 45202 and its telephone number is (513) 762-4000.

As of December 28, 1991, the Company operated 1,263 supermarkets, most of which are leased. Of this number, 1,033 supermarkets were operated principally under the Kroger name in the Midwest and South. Dillon Companies, Inc. ("Dillon"), a wholly-owned subsidiary of the Company, operated 230 supermarkets directly or through wholly-owned subsidiaries (the "Dillon Supermarkets"). The Dillon Supermarkets, principally located in Colorado, Kansas, Arizona and Missouri operate under the names "King Soopers", "Dillon Food Stores", "Fry's Food Stores", "City Market", "Gerbes Supermarkets" and "Sav-Mor".

As of December 28, 1991, the Company, through its Dillon subsidiary, was the fourth largest operator of convenience stores in the United States. Dillon operates 940 convenience stores under the trade names of "Kwik Shop", "Quik Stop Markets", "Time Saver Stores", "Tom Thumb Food Stores", "Turkey Hill Minit Markets", "Loaf 'N Jug", and "Mini-Mart". The convenience stores offer a limited assortment of staple food items and general merchandise and, in most cases, sell gasoline.

The Company intends to develop new food and convenience store locations and will continue to assess existing stores as to possible replacement, remodeling, enlarging or closing.

Overview

During 1991 the Company experienced new competitive activity in several key markets in an economy slowed by the recession and low grocery price inflation. The Company demonstrated its commitment to its long-standing operating philosophy of maintaining market share and customer base. This was illustrated by a growth in identical food stores sales of 1.3% in the fourth quarter and 3.0% for the year. These increases rank among the highest reported in the Company's industry and were achieved despite deflation in the fourth quarter and less than 1.5% inflation for the year.

RESULTS OF OPERATIONS

Sales

Sales in the fourth quarter 1991 increased 2.9% over 1990's record level. Sales for the full year increased 5.4%, exceeding $21 billion for the first time in the Company's history. A review of sales by lines of business for the three years ended December 28, 1991 is as follows:

	% of 1991 Sales	1991		1990		1989	
		Amount	Change	Amount	Change	Amount	Change
		(millions of dollars)					
Food Stores	91.5%	$19,533	+5.7%	$18,485	+ 7.7%	$17,161	+ 7.5%
Convenience Stores	4.0%	864	+0.2%	863	+10.2%	783	+12.1%
Other Sales	4.5%	954	+4.4%	913	+ 2.9%	888	+ 3.9%
Continuing Sales	100.0%	21,351	+5.4%	20,261	+ 7.6%	18,832	+ 7.5%
Divested Unit Sales		N/A		N/A		272	
Total Reported Sales		$21,351	+5.4%	$20,261	+ 6.1%	$19,104	+ 0.3%

Food stores sales include the former Great Scott! stores in Michigan which were acquired during the third quarter 1990. Excluding those sales, food stores sales increased 4.0% for the full year. Sales in identical food stores (those operating a full year) increased 3.0%. This increase was achieved despite low inflation and intense competition in key markets such as Wichita, Dallas, Dayton, and portions of Indiana and Illinois. The continued maturation of the Company's combination food store format and significant growth in private label products contributed to this increase. The Company produces more than 4,000 private label products for its food stores.

Convenience stores sales increased 0.2% for the year and declined 7.2% during the fourth quarter. Both figures were impacted by the sale of 11 convenience stores during the third quarter 1991 and declining gasoline retail prices. Grocery sales in identical convenience stores increased 2.0% in the fourth quarter 1991 and 1.2% for all of 1991. Gasoline dollar sales at identical convenience stores declined 13.8% in the fourth quarter 1991 on a 2.6% increase in gallons sold and 0.4% for the year on a 0.2% increase in gallons sold.

Total food store square footage, including Great Scott!, increased 2.2%, 2.7% and 1.5% in 1991, 1990 and 1989, respectively. Convenience store square footage declined 2.1% in 1991 and increased .53% and .12% in 1990 and 1989, respectively. Sales per average square foot for the last three years were:

	Total Sales Per Average Square Foot		
	1991	1990	1989
Food Stores	$398	$386	$359
Convenience Stores	$364	$360	$328

Other sales include outside sales by the Company's manufacturing divisions and sales of general merchandise to a drug store company in which the Company maintains an equity interest.

EBITD

During 1991, EBITD increased 0.9% to $968.0 million compared to $959.0 million in 1990 and $896.2 million from continuing units in 1989. This increase was achieved despite intense competition in the aforementioned markets. The decline in the percentage increase in the year-to-year comparison reflects the Company's commitment to maintain its customer base and identical store sales in the face of such competition. This effort is generally accomplished through various merchandising efforts, most of which, in the short run, have a negative effect on EBITD.

The Company's restated Credit Agreement, dated January 21, 1992 (the terms of which are retroactive to December 28, 1991) and the indentures underlying approximately $1.3 billion of publicly issued debt contain various restrictive covenants, many of which are based on earnings before interest, taxes, depreciation, LIFO charge and unusual items (EBITD). The ability to generate EBITD at levels sufficient to satisfy the requirements of these agreements is a key measure of the Company's financial strength. At December 28, 1991 the Company was in compliance with all covenants of its restated Credit Agreement and publicly issued debt. The Company believes it has adequate coverage of its debt covenants to continue to respond effectively to competitive conditions.

Merchandise Costs

Merchandise costs include warehousing and transportation expenses and LIFO charges. For 1989, merchandise costs also includes expenses from divested units and certain expenses relating to the Company's manufacturing operations which are reflected in operating, general and administrative (OG&A) expenses in 1990 and 1991.

The following table shows the relative effect that LIFO charges, expenses for divested units and the change in reporting certain manufacturing expenses have had on merchandising costs as a percent of sales.

	1991	1990	1989
Merchandise costs as reported	77.19%	77.34%	77.71%
LIFO charge	.12%	.20%	.28%
Manufacturing expense charge	N/A	N/A	.13%
Divested unit expenses	N/A	N/A	.11%
Merchandise costs as adjusted	77.07%	77.14%	77.19%

The increase in gross profit during 1991 was caused, in part, by an increase in the sale of private label products. Many consumers have switched from national brand products to private label products. The Company produces many of its own private label products and therefore has lower product costs. The lower gross profit in 1989 was due in part to higher wholesale costs on perishable commodities caused by the drought. The higher costs were not entirely passed on to the consumers.

Operating, General and Administrative Expenses

OG&A expenses for 1990 and 1991 include the effect of certain expenses related to the Company's manufacturing operations which were reflected in merchandise costs in 1989. The 1989 OG&A expenses also includes the effect of units divested as part of the restructuring in 1988. Adjusting for the above items for comparison purposes, OG&A expenses as a percent of sales were:

	1991	1990	1989
OG&A expenses as reported	17.15%	16.88%	16.58%
Manufacturing expense charge	N/A	N/A	.13%
Divested unit expenses	N/A	N/A	.09%
OG&A expenses as adjusted	17.15%	16.88%	16.80%

The increase in costs as a percent to sales during 1991 and 1990 is due, in part, to higher wage and fringe benefits negotiated in union contracts and from increasing hours worked in the stores to improve customer service.

Income Taxes

The effective income tax rates were 40.8%, 41.5%, and 35.8% for 1991, 1990, and 1989, respectively. The 1990 effective rate includes the effect of additional tax expense of $6.0 million resulting from the Company's settlement of all issues with the Internal Revenue Service (IRS) for fiscal years through 1983.

Net Earnings

Net earnings totaled $79.9 million in 1991 compared to $82.4 million in 1990 and a loss of $72.7 million in 1989. The decrease in 1991 from 1990 was affected by: (i) an extraordinary loss from the early retirement of debt in 1991 of $20.8 million compared to $.9 million in 1990, (ii) a one time after tax gain in 1990 of $10.6 million from the sale of an equity investment in an unaffiliated company and the settlement of all issues with the Internal Revenue Service through fiscal year 1983, (iii) a reduction in the Company's LIFO charge in 1991 of $14.6 million, and (iv) a net interest expense reduction of $27.0 million in 1991.

The increase in 1990 from 1989 was affected by: (i) an extraordinary loss of $56.5 million related to the early retirement of debt in 1989, (ii) a LIFO charge in 1989 of $52.6 million compared to $40.8 million in 1990, and (iii) net interest expense in 1989 of $633.1 million compared to $558.1 million in 1990.

LIQUIDITY AND CAPITAL RESOURCES

Debt Management and Interest Expense

The Company intends to take advantage of opportunities to reduce interest expense and extend debt maturities. These objectives are important to the overall goal of deleveraging the balance sheet.

To extend maturities the Company has refinanced debt in a variety of ways including: a $612.5 million mortgage package entered into in December 1989, a $250 million senior unsecured note placement in January 1990, a $170 million convertible debt placement in March 1991, a $57.2 million mortgage package entered into in September 1991 and the restated Credit Agreement. In addition, total long-term debt, including capital leases and the current portion thereof, declined $166.3 million from year-end 1990 to year-end 1991 and $254.4 million from year-end 1989 to year-end 1990, including accretion in Junior Subordinated Discount Debentures of $115.8 million in 1991 and $118.2 million in 1990.

As a result of the above reductions in long-term debt and refinancings, required repayments over the next five years have been reduced to $541.3 million compared to $721.1 million at year end 1990 and $826.7 million at year end 1989.

Scheduled debt maturities for the five years subsequent to 1991, 1990 and 1989 were:

	1991	1990	1989
Year 1	$ 73,580	$ 90,459	$135,295
Year 2	123,368	153,783	172,890
Year 3	114,927	165,849	167,125
Year 4	111,451	157,313	180,112
Year 5	117,926	153,657	171,258

Maturities shown for 1989 reflect the $250 million Senior Note placement that occurred in January 1990 and, for 1991, the restated Credit Agreement dated January 21, 1992.

The average interest rate on the Company's bank debt, which totaled $935.5 million at year end 1991, after giving effect to the cancellation of interest rate swaps associated with the previous credit agreement was 6.13% compared to 9.18% at the end of 1990 and 10.60% at the end of 1989. The decline is due to generally lower market interest rates and achieving ¼% interest rate step downs in June and December of 1990. The Company's rate on the bank debt is variable. The Company currently has in place two interest rate swaps totaling $85 million expiring December 21, 1992. The swaps fix the rate on $85 million of debt at 8.01%.

The Company continues to monitor interest rate trends and intends to enter into additional interest rate hedging agreements from time to time. The Company currently expects 1992 net interest expense to total $485–$495 million compared to $531.1, $558.1 and $633.1 million in 1991, 1990 and 1989, respectively.

To meet any short-term liquidity needs the Company has available an $850 million Working Capital line. A portion of the Company's short-term borrowings are permitted to be in the form of commercial paper. At December 28, 1991, the Company had $156.7 million of commercial paper outstanding and $329.7 in total short-term borrowings. At year-end 1991, excluding amounts available as backup for the Company's unrated commercial paper program, $305.0 million was available under this line. There are no annual principal payments required under the Working Capital line, which expires on January 3, 1998.

Repurchase of Subordinated Debt

During 1990 and 1991 the Company had achieved sufficient EBITD and reductions in interest costs to effect a Consolidated Debt Service Coverage Ratio (the "Ratio"), as defined in the Senior Unsecured, Senior Subordinated and Subordinated Debentures Indentures, of greater than 1.75. These indentures permit the Company, *inter alia,* to repurchase Senior Subordinated, Subordinated and Junior Subordinated Discount Debentures so long as such repurchase results in a Ratio of 1.75 or more on a proforma basis for all previous repurchases and current interest rates.

During 1991 the Company repurchased $303.8 million face amount of Junior Subordinated Discount Debentures with an accreted value of $217.9 million, $59.3 million Senior Subordinated Debentures and $64.2 million Subordinated Debentures. During 1990 the Company repurchased $30.1 million of Senior Subordinated Debentures. The outstanding balances of these debt issues was $1.1 billion face amount (with an accreted balance of $838.2 million) for the Junior Subordinated Discount Debentures, $535.6 million for the Senior Subordinated Debentures and $560.8 million for the Subordinated Debentures at year-end 1991.

The Company may from time to time continue to repurchase Subordinated and Junior Subordinated Discount Debentures as conditions permit. Such repurchases could be financed with lower-interest borrowings under the Credit Agreement or proceeds from other financings. In addition, the Senior Subordinated and Subordinated Debenture Indentures permit the Company, on or after January 15, 1992, to redeem those Debentures with funds derived from sources other than lower-interest borrowings.

Capital Expenditures

Capital expenditures totaled $208.1 for 1991, compared to $219.5 million in 1990, which included the acquisitions of Great Scott! and $131.3 million in 1989. During 1991 the Company opened, acquired or expanded 42 food stores and 4 convenience stores compared to 60 food stores and 10 convenience stores in 1990. The Company expects capital expenditures to average between $225 and $250 million for each of the next three years. This level of spending assumes the Company will be able to continue primarily to lease the land and building portion of new stores. This level of spending, which is expected to be financed by internally generated funds, should be sufficient to open, acquire, or expand 35-40 food stores and to remodel 70 food stores each year. This spending plan should fulfill the Company's objective to construct, replace or remodel approximately 10 percent of its existing store base each year.

Consolidated Statement of Cash Flows

During 1991 the Company generated $448.4 million in cash from operating activities compared to $497.8 million in 1990 and $407.7 million in 1989. The decline from 1990 is due to a use of $56.1 million from changes in operating assets and liabilities offset by a $27 million reduction in interest expense. The increase from 1989 is reflective of the improved operating results including reduced cash interest expense.

Investing activities used $187.9 million of cash in 1991 compared to $190.8 million of cash used in 1990 and $166.7 million of cash provided in 1989. The 1989 figure includes $223.9 million of cash provided from assets divested as part of the restructuring in 1988.

Cash used by financing activities totaled $311.1 million which includes a net reduction in debt, other than capital leases and the accretion of Junior Subordinated Discount Debentures, of $292.0 million. Capital leases and the accretion of Junior Subordinated Discount Debentures are excluded because the increases result from non-cash items. The decline in cash used from financing activities in 1991 versus 1990 is due to

$84.0 million less debt retired in 1991 and prepayment costs of $28.9 incurred in 1991. The decline in cash used from financing activities from 1989 to 1990 is due to the redemption of the Company's preferred stock and the high level of financing costs incurred in 1989.

Other Issues

In December, 1990 the Financial Accounting Standards Board issued Statement on Financial Accounting Standards "SFAS" No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The pronouncement is effective for fiscal years beginning after December 15, 1992 although earlier implementation is allowed. The Company expects to implement the statement in the first quarter 1993 using the immediate recognition approach. The impact of the statement on the Company's future results of operations is being analyzed and will depend upon several factors, including assumptions as to future health care cost trends, the general level of interest rates and the level of benefits provided at the date of adoption of the standard. The Company expects that the annual postretirement benefit expense computed in accordance with SFAS No. 106 will be greater than that resulting from its current accounting policy.

Additionally, the expected increase in the annual postretirement benefit expense, will not affect the Company's EBITD used for the Company's loan covenant calculations. All EBITD based covenants in the Company's Credit Agreement and the indentures underlying approximately $1.3 billion of publicly issued debt are based on generally accepted accounting principles as applied at the date of the agreements. Therefore, the additional expense will be excluded from such calculations.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareowners and Board of Directors
The Kroger Co.

We have audited the accompanying consolidated balance sheet of The Kroger Co. as of December 28, 1991 and December 29, 1990, and the related consolidated statements of operations and accumulated deficit, and cash flows for the years ended December 28, 1991, December 29, 1990 and December 30, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Kroger Co. as of December 28, 1991 and December 29, 1990, and the consolidated results of operations and cash flows for the years ended December 28, 1991, December 29, 1990 and December 30, 1989, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Coopers & Lybrand
Cincinnati, Ohio
February 4, 1992

Consolidated Balance Sheet

(In thousands of dollars)	December 28, 1991	December 29, 1990
ASSETS		
Current assets		
Cash and temporary cash investments	$ 3,973	$ 54,543
Receivables	261,081	276,958
Inventories:		
FIFO cost	1,967,809	1,846,937
Less LIFO reserve	(425,551)	(399,307)
	1,542,258	1,447,630
Property held for sale	43,439	37,260
Prepaid and other current assets	141,211	133,841
Total current assets	1,991,962	1,950,232
Property, plant and equipment, net	1,856,748	1,874,194
Investments and other assets	265,641	294,116
Total Assets	$4,114,351	$4,118,542
LIABILITIES		
Current liabilities		
Current portion of long-term debt	$ 73,580	$ 90,459
Current portion of obligations under capital leases	6,704	6,030
Accounts payable	1,267,694	1,197,535
Other current liabilities	738,976	768,005
Total current liabilities	2,086,954	2,062,029
Long-term debt	4,250,066	4,409,451
Obligations under capital leases	157,698	148,387
Deferred income taxes	269,553	272,581
Other long-term liabilities	99,263	86,555
Total Liabilities	6,863,534	6,979,003
SHAREOWNERS' DEFICIT		
Common capital stock, par $1		
Authorized: 350,000,000 shares		
Issued: 1991—103,757,096 shares		
1990—102,170,937 shares	121,970	103,778
Accumulated deficit	(2,460,725)	(2,540,580)
Common stock in treasury, at cost		
1991—16,090,120 shares		
1990—16,594,285 shares	(410,428)	(423,659)
Total Shareowners' Deficit	(2,749,183)	(2,860,461)
Total Liabilities and Shareowners' Deficit	$4,114,351	$4,118,542

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Operations and Accumulated Deficit

Years Ended December 28, 1991, December 29, 1990 and December 30, 1989

(In thousands, except per share amounts)	1991 (52 Weeks)	1990 (52 Weeks)	1989 (52 Weeks)
Sales	**$21,350,530**	$20,260,974	$19,103,671
Costs and expenses			
Merchandise costs, including warehousing and transportation	**16,480,580**	15,669,671	14,845,637
Operating, general and administrative	**3,661,887**	3,420,620	3,168,063
Rent	**266,328**	252,500	242,406
Depreciation and amortization	**242,022**	244,663	241,240
Interest expense	**535,171**	563,805	648,968
Dividend and interest income	**(4,053)**	(5,734)	(15,861)
Restructuring and other credits		(26,754)	(18,043)
Total	**21,181,935**	20,118,771	19,112,410
Earnings (loss) before tax expense and extraordinary loss	**168,595**	142,203	(8,739)
Tax expense	**67,901**	58,913	7,512
Earnings (loss) before extraordinary loss	**100,694**	83,290	(16,251)
Extraordinary loss, net of income tax credit	**(20,839)**	(910)	(56,471)
Net Earnings (Loss)	**$ 79,855**	$ 82,380	$ (72,722)
Accumulated Deficit			
Beginning of year	**$(2,540,580)**	$(2,609,090)	$(2,516,592)
Net earnings (loss)	**79,855**	82,380	(72,722)
Sales of treasury stock below average cost		(13,870)	(17,486)
Cash dividends on preferred stock			(2,290)
End of year	**$(2,460,725)**	$(2,540,580)	$(2,609,090)
Earnings (Loss) per Common Share			
Earnings (loss) before extraordinary loss	**$1.12**	$.96	$(.23)
Extraordinary loss	**(.23)**	(.01)	(.69)
Net earnings (loss)	**$.89**	$.95	$(.92)
Shares Used For Per Share Calculations	**90,218**	86,565	81,632

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 28, 1991, December 29, 1990 and December 28, 1989

(In thousands of dollars)	1991 (52 Weeks)	1990 (52 Weeks)	1989 (52 Weeks)
Cash Flows From Operating Activities:			
Net earnings (loss)	**$ 79,855**	$ 82,380	$ (72,722)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Extraordinary loss	**20,839**	910	56,471
Depreciation and amortization	**242,022**	244,663	241,240
Revaluation of various assets			10,362
Gain from restructuring assets disposed			(28,405)
Gain on sale of equity investment		(26,754)	
Amortization of discount on Junior Subordinated Debentures	**115,760**	118,239	103,391
Amortization of deferred financing costs	**13,326**	15,158	16,480
Loss on sale of property, plant and equipment	**6,485**	5,926	2,668
LIFO charge	**26,244**	40,845	52,604
Net increase (decrease) in cash from changes in operating assets and liabilities, detailed hereafter	**(56,113)**	16,439	25,630
Net cash provided by operating activities	**448,418**	497,806	407,719
Cash Flows From Investing Activities:			
Capital expenditures	**(208,076)**	(219,459)	(131,334)
Proceeds from sale of property, plant and equipment	**8,938**	25,421	12,855
Decrease (increase) in property held for sale	**(3,925)**	(14,717)	75,209
Decrease in assets held for sale—restructuring		3,124	223,852
Decrease (increase) in other investments	**19,138**	(13,753)	(15,034)
Proceeds from sale of equity investment		30,052	
Other changes, net	**(3,926)**	(1,495)	1,129
Net cash provided (used) by investing activities	**(187,851)**	(190,827)	166,677
Cash Flows From Financing Activities:			
Debt prepayment costs	**(28,854)**		(43,529)
Financing charges incurred	**(10,793)**	(8,780)	(131,295)
Principal payments under capital lease obligations	**(6,915)**	(5,790)	(11,188)
Proceeds from issuance of long-term debt	**229,514**	305,967	2,706,447
Reductions in long-term debt	**(521,537)**	(682,010)	(2,954,882)
Proceeds from issuance of capital stock	**13,036**	4,505	5,232
Proceeds from sale of treasury stock	**10,303**	17,535	10,305
Redemption of preferred stock			(250,000)
Capital stock reacquired	**(819)**	(326)	(634)
Tax benefit of non-qualified stock options	**4,928**	988	1,864
Dividends paid on preferred stock			(2,290)
Net cash used by financing activities	**(311,137)**	(367,911)	(669,970)
Net decrease in cash and temporary cash investments	**(50,570)**	(60,932)	(95,574)
Cash and Temporary Cash Investments:			
Beginning of year	**54,543**	115,475	211,049
End of year	**$ 3,973**	$ 54,543	$ 115,475

Consolidated Statement of Cash Flows, Continued

Years Ended December 28, 1991, December 29, 1990 and December 30, 1989

(In thousands of dollars)	1991 (52 Weeks)	1990 (52 Weeks)	1989 (52 Weeks)
Increase (Decrease) In Cash From Changes In Operating Assets And Liabilities:			
Inventories (FIFO)	**$(120,872)**	$(93,374)	$(136,862)
Receivables	**15,877**	3,533	(1,012)
Prepaid and other current assets	**356**	74,801	42,005
Accounts payable	**70,159**	65,725	36,750
Accrued expenses	**(25,594)**	27,811	30,722
Deferred income taxes	**(21,616)**	(14,630)	23,681
Other liabilities	**25,577**	(47,427)	30,346
	$ (56,113)	$ 16,439	$ 25,630

The accompanying notes are an integral part of the consolidated financial statements.

All dollar amounts are in thousands except per share amounts.

ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in preparing these financial statements.

Principles of Consolidation

The consolidated financial statements include the Company and all of its subsidiaries.

Inventories

Inventories are stated at the lower of cost (principally LIFO) or market. Approximately 89% of inventories for 1991 and 1990 were valued using the LIFO method. Cost for the balance of the inventories is determined using the FIFO method.

Property Held for Sale

Property held for sale includes the net book value of property, plant and equipment that are in the process of being sold.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are computed principally using the straight-line method over the estimated useful lives of individual assets, composite group lives or the initial or remaining terms of leases. Buildings and land improvements are depreciated based on lives varying from 10 to 40 years and equipment depreciation is based on lives varying from three to 15 years. Leasehold improvements are amortized over their useful lives which vary from four to 25 years.

Interest Rate Hedging Agreements

The Company uses interest rate swaps to hedge a portion of its variable rate borrowings against increases in interest rates. The interest differential to be paid or received is accrued as interest rates change and is recognized over the life of the agreements currently as a component of interest expense. Gains and losses from the disposition of hedge agreements are deferred and amortized over the term of the related agreements.

Deferred Income Taxes

Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting bases. The types of differences that give rise to significant portions of deferred income tax liabilities or assets relate to: property, plant and equipment, inventories, accruals for restructuring and other charges and accruals for compensation-related costs. The tax consequences of these differences expected to occur in the subsequent year are classified as a current asset or liability.

Consolidated Statement of Cash Flows

For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be temporary cash investments.

Cash paid during the year for interest and income taxes was as follows:

	1991	1990	1989
Interest	$414,288	$426,790	$536,503
Income taxes	56,445	19,397	31,188

PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of:

	1991	1990
Land	$ 182,471	$ 182,611
Buildings and land improvements	586,374	595,533
Equipment	2,107,869	2,012,077
Leaseholds and leasehold improvements	650,244	618,870
Leased property under capital leases	226,070	213,634
	3,753,028	3,622,725
Accumulated depreciation and amortization	(1,896,280)	(1,748,531)
	$1,856,748	$ 1,874,194

Substantially all property, plant and equipment collateralizes debt of the Company. (See Debt Obligations footnote.)

INVESTMENTS AND OTHER ASSETS

Investments and other assets consists of:

	1991	1990
Deferred financing costs	$119,550	$126,367
Goodwill	59,618	64,490
Other	86,473	103,259
	$265,641	$294,116

The Company is amortizing deferred financing costs using the interest method and the straight-line basis over the life of the related borrowings.

Substantially all goodwill is amortized on the straight-line method over forty years.

RESTRUCTURING AND OTHER CREDITS

In 1988, the Company implemented a restructuring program which included the divestiture of certain non-core and under productive assets. In 1989 the divestiture of such assets was substantially completed and the Company recognized a pre-tax gain of $28,405 from the sale of assets of units divested, net of operating losses previously deferred in the amount of $45,679. In addition, the Company recorded a $10,362 pre-tax charge to earnings in 1989 related to the revaluation of various assets.

On December 14, 1990, the Company disposed of an equity investment in an unaffiliated company. The Company recognized a pre-tax gain of $26,754.

OTHER CURRENT LIABILITIES

Other current liabilities consists of:

	1991	1990
Salaries and wages	$207,104	$217,009
Taxes, other than income taxes	114,700	112,977
Interest	86,253	93,255
Other	330,919	344,764
	$738,976	$768,005

TAXES BASED ON INCOME

The Company uses the liability method of accounting for income taxes pursuant to Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." During the Fourth Quarter 1990, the Company settled all issues with the Internal Revenue Service for fiscal years through 1983. Tax expense was increased $6,000 as a result of the settlement.

The provision for taxes based on income consists of:

	1991	1990	1989
Federal			
Current	$ 71,101	$ 61,516	$(25,162)
Deferred	(21,616)	(14,630)	23,681
	49,485	46,886	(1,481)
State and local	18,416	12,027	8,993
	67,901	58,913	7,512
Tax credit from extraordinary loss	(12,772)	(469)	(48,105)
	$ 55,129	$ 58,444	$(40,593)

Targeted job tax credits reduced the tax provision by $4,116 in 1991, $3,577 in 1990 and $3,492 in 1989.

A reconciliation of the statutory federal rate and the effective rate, including the effect of the extraordinary losses is as follows:

	1991	1990	1989
Statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal tax benefit	8.0	5.6	(5.2)
Tax credits	(3.3)	(2.7)	3.1
Tax settlement		4.3	
Tax rate difference in carryback years		.2	6.7
Other, net	2.1	.1	(2.8)
	40.8%	41.5%	35.8%

Deferred income taxes included in the Consolidated Statement of Operations and Accumulated Deficit represent the tax effect of amounts expensed for tax purposes in excess of (less than) amounts used for financial reporting, and consist of:

	1991	1990	1989
Depreciation	$(15,130)	$ (9,098)	$ 8,418
Restructuring and other credits, net	8,788	7,278	13,778
Compensation related costs	(4,421)	551	11,377
Insurance related costs	(10,845)	(899)	1,237
Lease accounting	(2,583)	(2,273)	(4,723)
Alternative minimum tax credit carryforwards	1,096	(5,900)	
Other	1,479	(4,289)	(6,406)
	$(21,616)	$(14,630)	$23,681

As of December 28, 1991, the Company has alternative minimum tax credit carryforwards of $5,700 which have been used to reduce deferred income taxes. This amount will be allowed as a credit against regular tax in the future to the extent that regular tax expense exceeds the alternative minimum tax expense.

DEBT OBLIGATIONS

Long-term debt consists of:

	1991	1990
Variable rate Senior Term Facility, due in varying amounts through 1998	$ 605,817	$ 731,231
Variable rate Working Capital Facility due 1998	329,671	365,586
11⅛% Senior Notes, due 1998	250,000	250,000
12⅞% Senior Subordinated Debentures, due 1999	535,614	594,900
13⅛% Subordinated Debentures, due 2001 with a sinking fund payment of $312,500 due 2000	560,796	625,000
8¼% Convertible Junior Subordinated Debentures due 2011	170,000	
15½% Junior Subordinated Discount Debentures, net of $232,051 and $434,900 unamortized discount in 1991 and 1990, respectively, due 2008 with an approximate effective rate of 13.88%	838,216	940,378
10% Mortgage loans, with semi-annual payments due through 2004	611,025	611,789
3⁹⁄₁₀% to 14% industrial revenue bonds, due in varying amounts through 2022	236,875	248,105
6¾% to 12⅞% mortgages, due in varying amounts through 2012	155,791	104,828
5¼% to 12% notes, due in varying amounts through 2011	29,841	28,093
Total debt	4,323,646	4,499,910
Less current portion	73,580	90,459
Total long-term debt	$4,250,066	$4,409,451

The aggregate annual maturities and scheduled payments of long-term debt for the five years subsequent to 1991 are:

1992	$ 73,580
1993	$123,368
1994	$114,927
1995	$111,451
1996	$117,926

Credit Agreement

The Company entered into a restated Credit Agreement, dated January 21, 1992. This agreement replaced the credit agreement dated as of December 20, 1989 (see Subsequent Events). The following constitutes a summary of the principal terms and conditions of the restated Credit Agreement.

The Credit Agreement provides for: (i) a six-year senior term facility of $605,817 (the "Term Facility") and (ii) a working capital revolving credit facility of $850,000, with a $450,000 sublimit for the issuance of standby and documentary letters of credit (the "Working Capital Facility" and together with the Term Facility, the "Facilities").

The Term Facility expires in 1998, and is subject to quarterly amortization of $25,747 on the third day of each January, April, July and October beginning April 3, 1992, except that the April 3, 1992 payment shall equal $13,631.

Interest Rates

Loans under the Facilities bear interest at the option of the Company at a rate equal to either (i) the rate of interest announced from time to time by Citibank, N.A., as its base rate (the "Base Rate") plus the Applicable Margin (as defined below) or (ii) an adjusted Eurodollar rate based upon the London interbank offered rate ("LIBOR") plus the Applicable Margin.

Applicable Margin means a percentage per annum determined by reference to the Cash Interest Coverage Ratio set forth below:

Cash Interest Coverage Ratio	Applicable Margin for Base Rate Advances	Applicable Margin for LIBOR Rate Advances
less than 1.75 : 1	¾%	1¾%
1.75 : 1 or greater, but less than 2.10 : 1	½	1½
2.10 : 1 or greater, but less than 2.50 : 1	¼	1¼
2.50 : 1 or greater	¼	1

At December 28, 1991, the Applicable Margin is ¼% for Base Rate advances and 1¼% for LIBOR Rate Advances. No more than one increase or decrease in the Applicable Margin shall occur in any six-month period.

Collateral

The Company's obligations under the Facilities are collateralized by a pledge of the stock of subsidiaries of the Company and substantially all assets, both real and personal, of the Company and its subsidiaries.

Prepayment

The Company may prepay the Facilities, in whole or in part, at any time, without a prepayment penalty. Voluntary prepayments will be applied, at the option of the Company, either (i) to repay the Term Facility in the inverse order of maturity or (ii) to repay the next quarterly scheduled Term Facility payment and then to repay the remaining Term Facility payments pro rata. The Facilities are subject to certain mandatory prepayments in connection with asset dispositions, certain stock issuances, certain incurrences of debt and sale and leaseback transactions and in respect of a percentage of the Company's excess annual cash as defined in the Credit Agreement.

Certain Covenants

The Credit Agreement contains covenants which, among other things, (i) restrict investments, capital expenditures, and other material outlays and commitments relating thereto, (ii) restrict the incurrence of debt, including the incurrence of debt by subsidiaries, (iii) restrict dividends and payment, prepayments, and repurchases of subordinated debt, capital stock or other securities, (iv) restrict mergers and acquisitions and changes of business or conduct of business, (v) restrict transactions with affiliates, (vi) restrict certain sales of assets, (vii) restrict changes in accounting treatment and reporting practices except as permitted under generally accepted accounting principles, (viii) require the maintenance of certain financial ratios and levels, including interest coverage ratios, fixed charge coverage ratios and total debt ratios, (ix) require the Company

to provide financial statements and an annual business plan of the Company and its subsidiaries and (x) require the Company to maintain interest rate protection providing that at least 70% of the Company's indebtedness for all borrowed money is maintained at a fixed rate of interest.

Interest Rate Protection Program

The Company has instituted an interest rate hedging program for its variable rate debt under the Facilities. The Company has two interest rate swaps in place to hedge against a rise in interest rates. The swaps fix the rate on $85,000 of variable rate debt at 8.01%. The swaps expire on December 21, 1992. At December 28, 1991 the Company had an additional $1,015,000 of interest rate swaps in place. Subsequent to 1991 the Company cancelled $615,000 of interest rate swaps and allowed an additional $400,000 of interest rate swaps to expire. (See Subsequent Events) The Company is exposed to credit loss in the event of non-performance by the other parties to the interest rate swap agreements. However, the Company does not anticipate nonperformance by the counterparties.

Senior Subordinated Debentures

The Senior Subordinated Debentures are redeemable at any time on or after January 15, 1992 in whole or in part at the option of the Company. The redemption prices commence at 108.575% and are reduced by 2.15% annually until 1996 when the redemption price is 100%; provided, however, that the Company may not redeem any Senior Subordinated Debentures prior to January 15, 1994 with any moneys borrowed having an interest cost to the Company of less than 12⅞% per year.

Subordinated Debentures

The Subordinated Debentures are redeemable at any time on or after January 15, 1992 in whole or in part at the option of the Company. The redemption prices commence at 109.375% and are reduced by 1.875% annually until 1997 when the redemption price is 100%; provided, however, that the Company may not redeem any Subordinated Debentures prior to January 15, 1994 with any moneys borrowed having an interest cost to the Company of less than 13⅛% per year.

Convertible Junior Subordinated Debentures

On March 13, 1991 the Company issued $170,000,000 of 8¼% Convertible Junior Subordinated Debentures (the "Convertibles"). The Convertibles become due on April 15, 2011. The Convertibles are convertible into shares of the Company's common stock at a conversion price of $26.70 at any time at the option of the holder. The Convertibles are redeemable at any time on or after April 15, 1994 in whole or in part at the option of the Company at the scheduled redemption prices plus accrued interest. The redemption prices commence at 105.775% in 1994 and are reduced by .825% annually thereafter until 2001 when the redemption price is 100%. At December 28, 1991, the Company had reserved 6,367,041 shares of common stock for future conversions of the Convertibles.

Junior Subordinated Discount Debentures

The Junior Subordinated Discount Debentures (the "Debentures") were issued on December 2, 1988 under an indenture (the "Indenture"), dated as of October 15, 1988, between the Company and Bankers Trust Company of California, National Association, as trustee.

The Debentures will become due on October 15, 2008. The principal of the Debentures will not bear interest until October 15, 1993; interest will be payable on the Debentures at an annual rate of 15½%, payable semi-annually on April 15 and October 15 in each year, commencing April 15, 1994, until the principal is paid or made available for payment.

The Debentures may be redeemed, at the option of the Company, in whole or in part, at any time at a redemption price of 100% of principal amount, plus accrued interest from the last interest payment date on which interest has been paid or provided for, from October 15, 1993 to the date of redemption.

On October 15 in each of the years 2004 through 2007 inclusive, the Company will be required to redeem an aggregate principal amount of Debentures equal to 20% of the greatest principal amount of Debentures issued and outstanding prior to October 15, 2004 at a redemption price of 100% of principal amount plus accrued interest to the date of redemption.

A settlement agreement between the Company and certain plaintiffs in *In Re: The Kroger Co. Shareholders Litigation,* Consolidated Case No. A-8807634, Court of Common Pleas, Hamilton County, Ohio, under which the Company had agreed to change the terms of the Debentures was effectively set aside by an appellate court and no longer is of any effect.

Redemption Event

Subject to certain conditions (including repayment in full of all obligations under the Credit Agreement or obtaining the requisite consents under the Credit Agreement), the Senior Notes, Senior Subordinated Debentures, Subordinated Debentures, Convertible Junior Subordinated Debentures and the Junior Subordinated Discount Debentures will be subject to redemption, in whole or in part, at the option of the holder upon the occurrence of a redemption event, upon not less than five days' notice prior to the date of redemption, at a redemption price equal to the default amount, plus a specified premium. "Redemption Event" is defined in the indentures as the occurrence of (i) any person or group, together with any affiliate thereof, beneficially owning 50% or more of the voting power of the Company or (ii) any one person or group, or affiliate thereof, succeeding in having a majority of its nominees elected to the Company's Board of Directors, in each case, without the consent of a majority of the continuing directors of the Company.

Mortgage Financing

On December 20, 1989, the Company completed a $612,475, 10% mortgage financing of 127 of its retail properties, distribution warehouse facilities, food processing facilities and other properties (the "Properties"), with a net book value of $325,327 held by thirteen newly formed wholly-owned subsidiaries. The wholly-owned subsidiaries mortgaged the Properties, which are leased to the Company or affiliates of the Company, to a newly formed special purpose corporation, Secured Finance Inc.

The mortgage loans have a maturity of 15 years. The Properties are subject to the liens of Secured Finance Inc. The mortgage loans are subject to semi-annual payments which began June 15, 1990 of interest and principal on $150,000 of the borrowing based on a 30-year payment schedule and interest only on the remaining $462,475 principal amount. The unpaid principal amount will be due on December 15, 2004.

Commercial Paper

Under the restated Credit Agreement the Company is permitted to issue up to $500,000 of unrated commercial paper and borrow up to $500,000 from the lenders under the Credit Agreement on a competitive bid basis. The total of unrated commercial paper, $156,671 at December 28, 1991, and competitive bid borrowings, $153,000 at December 28, 1991, however, may not exceed $500,000. All commercial paper and competitive bid borrowings must be supported by availability under the Working Capital Facility portion of the Credit Agreement. These borrowings have been classified as long-term because the Company expects that during 1992 these borrowings will be refinanced using the same type of securities. Additionally, the Company has the ability to refinance the short-term borrowings under the Working Capital Facility which matures in 1998.

LEASES

The Company operates primarily in leased facilities. Lease terms generally range from 10 to 25 years with options to renew at varying terms. Certain of the leases provide for contingent payments based upon a percent of sales.

Rent expense (under operating leases) consists of:

	1991	1990	1989
Minimum rentals	$253,345	$238,006	$229,255
Contingent payments	12,983	14,494	13,151
	$266,328	$252,500	$242,406

Assets recorded under capital leases consists of:

	1991	1990
Distribution and manufacturing facilities	$ 46,680	$ 49,176
Store facilities	179,390	164,458
Less accumulated amortization	(96,827)	(92,125)
	$129,243	$121,509

Minimum annual rentals for the five years subsequent to 1991 and in the aggregate are:

	Capital Leases	Operating Leases
1992	$ 26,924	$ 268,991
1993	26,843	259,263
1994	26,398	247,321
1995	25,832	232,081
1996	25,060	216,838
Thereafter	243,236	1,782,665
	374,293	$3,007,159
Less estimated executory costs included in capital leases	(32,165)	
Net minimum lease payments under capital leases	342,128	
Less amount representing interest	(177,726)	
Present value of net minimum lease payments under capital leases	$ 164,402	

EXTRAORDINARY LOSS

The extraordinary loss in 1991, 1990 and 1989 relates to the early retirement of debt. In 1991, the extraordinary loss relates to premiums paid to retire certain indebtedness early and the write-off of related deferred financing costs. In 1989, the extraordinary loss relates to the write-off of deferred financing costs due to the cancellation of the original credit agreement and related interest rate swaps, the write-off of deferred fees associated with the Divestiture Loan which was prepaid in June, 1989 and the write-off of fees due to the prepayment of the Increasing Rate Notes.

EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per common share equals net earnings (loss) adjusted by preferred stock dividends in 1989, divided by the weighted average number of common shares outstanding, after giving effect to dilutive stock options in 1991 and 1990. Fully diluted earnings per share is not presented for 1991 and 1990 since it approximates the earnings per share reported amount. The effect of common stock equivalents are anti-dilutive (due to a net loss) and therefore are not included in the calculation for 1989.

PREFERRED STOCK

The Company has authorized 5,000,000 shares of voting cumulative preferred stock; 2,000,000 were available for issuance at December 28, 1991. The stock has a par value of $100 and is issuable in series. Under the Credit Agreement, the Company is prohibited from issuing shares of preferred stock.

COMMON STOCK

The Company has authorized 350,000,000 shares of $1 par common stock. The main trading market for the Company's common stock is the New York Stock Exchange, where it is listed under the symbol KR. For the three years ended December 28, 1991, changes in common stock were:

	Issued		In Treasury	
	Shares	Amount	Shares	Amount
December 31, 1988	100,936,360	$100,936	20,035,532	$512,853
Exercise of stock options including restricted stock grants	702,816	5,232	45,382	634
Sale of treasury shares to the Company's employee benefit plans		(6,393)	(2,162,087)	(55,395)
Tax benefit from exercise of non-qualified stock options		1,864		
December 30, 1989	101,639,176	101,639	17,918,827	458,092
Exercise of stock options including restricted stock grants	531,761	4,505	30,121	326
Sale of treasury shares to the Company's employee benefit plans		(3,354)	(1,354,663)	(34,759)
Tax benefit from exercise of non-qualified stock options		988		
December 29, 1990	102,170,937	103,778	16,594,285	423,659
Exercise of stock options including restricted stock grants	1,586,159	17,543	66,984	1,351
Sale of treasury shares to the Company's employee benefit plans		(4,279)	(571,149)	(14,582)
Tax benefit from exercise of non-qualified stock options		4,928		
December 28, 1991	103,757,096	$121,970	16,090,120	$410,428

STOCK OPTION PLANS

The Company grants options for common stock under various plans at an option price equal to the fair market value of the stock at the date of grant. In addition to cash payments, the plans provide for the exercise of options by exchanging issued shares of stock of the Company. At December 28, 1991 and December 29, 1990, 6,073,574 and 8,239,354 shares of common stock, respectively, were available for future options. Options may be granted under the 1985, 1987, 1988 and 1990 plans until 1995, 1997, 1998 and 2000, respectively, and will expire 10 years from the date of grant. Options become exercisable six months from the date of grant. At December 28, 1991, options for 7,572,156 shares were exercisable. All grants outstanding become immediately exercisable upon certain changes of control of the Company.

Changes in options outstanding under the stock option plans, excluding restricted stock grants, were:

	Shares Subject To Option	Option Price Range Per Share
Outstanding, December 31, 1988	5,576,877	$ 2.79—$ 9.13
Granted	117,350	$ 9.69—$18.57
Exercised	(683,393)	$ 3.64—$ 9.69
Cancelled or expired	(51,465)	$ 9.13—$14.25
Outstanding, December 30, 1989	4,959,369	$ 2.79—$18.57
Granted	2,619,715	$11.63—$16.19
Exercised	(480,549)	$ 2.79—$10.75
Cancelled or expired	(45,077)	$ 9.13—$14.19
Outstanding, December 29, 1990	7,053,458	$ 2.88—$18.57
Granted	2,186,200	$15.69—$23.44
Exercised	(1,503,603)	$ 2.88—$16.19
Cancelled or expired	(43,024)	$ 9.13—$23.44
Outstanding, December 28, 1991	7,693,031	$ 3.24—$23.44

In addition to stock options, the Company may grant stock appreciation rights (SAR's) to certain officers. In general, the eligible optionees are permitted to surrender the related option and receive shares of the Company's common stock and/or cash having a value equal to the appreciation on the shares subject to the options. The appreciation of SAR's is charged to earnings in the current period based upon the market value of common stock. As of December 28, 1991 and December 29, 1990 there were no SAR's outstanding.

The Company also may grant limited stock appreciation rights (LSAR's) to executive officers in tandem with the related options. LSAR's operate in the same manner as SAR's but are exercisable only following a change of control of the Company. As of December 28, 1991 and December 29, 1990, there were no LSAR's outstanding.

Also, the Company may grant restricted stock awards to eligible employee participants. In general, a restricted stock award entitles an employee to receive a stated number of shares of common stock of the Company subject to forfeiture if the employee fails to remain in the continuous employ of the Company for a stipulated period. The holder of an award shall be entitled to the rights of a shareowner except that the restricted shares and the related rights to vote or receive dividends may not be transferred. The award is charged to earnings over the period in which the employee performs services and is based upon the market value of common stock at the date of grant. As of December 28, 1991 and December 29, 1990, awards related to 165,618 and 224,940 shares, respectively, were outstanding.

CONTINGENCIES

The Company continuously evaluates contingencies based upon the best available evidence.

Management believes that allowances for loss have been provided to the extent necessary and that its assessment of contingencies is reasonable. To the extent that resolution of contingencies results in amounts that vary from management's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Income Taxes—The Internal Revenue Service has completed its examination of the Company's tax returns through 1983. The Company has paid the related settlement and provided for other tax contingencies.

Insurance—The Company's workers' compensation risks are self-insured in certain states. In addition, other workers' compensation risks and certain levels of insured general liability risks are based on retrospective premiums. The liability for workers' compensation risks is accounted for on a present value basis. Actual claim settlements and expenses incident thereto may differ from the provisions for loss. Other levels of general liability risks have been underwritten by a subsidiary. Operating divisions and subsidiaries have paid premiums, and the insurance subsidiary has provided loss allowances, based upon actuarially-determined estimates.

Litigation—Various suits and claims arising in the ordinary course of business are pending against the Company. In the opinion of management, these suits and claims will not have a material effect on the financial position or results of operations of the Company.

WARRANT DIVIDEND PLAN

On February 28, 1986, the Company adopted a warrant dividend plan in which each holder of common stock is entitled to one common stock purchase right for each share of common stock owned. When exercisable, the nonvoting rights entitle the registered holder to purchase one share of common stock at a price of $60 per share. The rights will become exercisable, and separately tradeable, ten days after a person or group acquires 20% or more of the Company's common stock. In the event the rights become exercisable and thereafter the Company is acquired in a merger or other business combination, each right will entitle the holder to purchase common stock of the surviving corporation, for the exercise price, having a market value of twice the exercise price of the right. Under certain other circumstances, including the acquisition of 25% or more of the Company's common stock, each right will entitle the holder to receive upon payment of the exercise price, shares of common stock with a market value of two times the exercise price. At the Company's option, the rights, prior to becoming exercisable, are redeemable in their entirety at a price of $.025 per right. The rights are subject to adjustment and expire March 19, 1996.

PENSION PLANS

The Company administers non-contributory defined benefit retirement plans for substantially all non-union employees. Funding for the pension plans is based on a review of the specific requirements and on evaluation of the assets and liabilities of each plan. Employees are eligible to participate upon the attainment of age 21 and the completion of one year of service, and benefits are based upon final average salary and years of service. Vesting is based upon years of service.

The Company-administered pension benefit obligations and the assets were valued as of the end of 1991 and 1990. The assets are invested in cash and short-term investments or listed stocks and bonds, including $57,443 and $47,833 of common stock of The Kroger Co. at the end of 1991 and 1990, respectively, and $6,602 and $7,789 of 15½% junior subordinated discount debentures of The Kroger Co. at the end of 1991 and 1990, respectively. The status of the plans at the end of 1991 and 1990 was:

	1991	1990
Actuarial present value of benefit obligations:		
Vested employees	$422,451	$355,981
Non-vested employees	13,164	10,266
Accumulated benefit obligations	435,615	366,247
Additional amounts related to projected salary increases	97,604	82,188
Projected benefit obligations	533,219	448,435
Plan assets at fair value	659,946	542,036
Plan assets in excess of projected benefit obligations	126,727	93,601
Consisting of:		
Unamortized transitional asset	60,337	69,611
Unamortized prior service cost	90,943	57,747
Adjustment required to recognize minimum liability	3,630	
Accrued pension cost in Consolidated Balance Sheet	(28,183)	(33,757)
	126,727	93,601

The components of net periodic pension income for 1991, 1990 and 1989 are as follows:

	1991	1990	1989
Service cost	$ 13,729	$ 13,304	$ 11,373
Interest cost	42,767	39,965	38,025
Return on assets	(150,380)	(3,240)	(122,243)
Net amortization and deferral	86,342	(68,561)	64,699
Net periodic pension income for the year	$ (7,542)	$(18,532)	$ (8,146)
Assumptions:			
Discount rate	8.5%	9.5%	9.5%
Salary Progression rate	5.5%	6.5%	6.5%
Long-term rate of return on plan assets	10.0%	10.0%	10.0%

The Company also administers certain defined contribution plans for eligible employees. The cost of these plans for 1991, 1990 and 1989 was $14,617, $16,296 and $16,450, respectively.

The Company participates in various multi-employer plans for substantially all union employees. Benefits are generally based on a fixed amount for each year of service. Contributions and expense for 1991, 1990 and 1989 were $79,735, $73,813 and $67,289, respectively. Information on the actuarial present value of accumulated plan benefits and net assets available for benefits relating to the multi-employer plans is not available.

POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. The majority of the Company's employees may become eligible for these benefits if they reach normal retirement age while employed by the Company. The cost of retiree health care and life insurance benefits is recognized as expense as claims or premiums are paid. For 1991, 1990 and 1989, the combined cost for these benefits was $9,746, $7,451 and $7,556, respectively.

In December, 1990 the Financial Accounting Standards Board issued Statement on Financial Accounting Standards "SFAS" No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The pronouncement is effective for fiscal years beginning after December 15, 1992 although earlier implementation is allowed. The Company expects to implement the statement in the first quarter 1993 using the immediate recognition approach. The impact of the statement on the Company's future results of operations is being analyzed and will depend upon several factors, including assumptions as to future health care cost trends, the general level of interest rates and the level of benefits provided at the date of adoption of the standard. The Company expects that the annual postretirement benefit expense computed in accordance with SFAS No. 106 will be greater than that resulting from its current accounting policy.

Additionally, the expected increase in the annual postretirement benefit expense will not affect the Company's EBITD (earnings before interest, taxes, depreciation, LIFO charge and unusual items) used for the Company's loan covenant calculations. All EBITD based covenants in the Company's Credit Agreement and the indentures underlying approximately $1.3 billion of publicly issued debt are based on generally accepted accounting principles as applied at the date of the agreements. Therefore, the additional expense will be excluded from such calculations.

SUBSEQUENT EVENTS

On January 21, 1992 the Company entered into a restated Credit Agreement. The terms of the agreement were retroactive to December 28, 1991 and therefore have been reflected within these financial statements. In connection with the restated Credit Agreement, the Company cancelled $615,000 of interest rate swaps and allowed, without replacement, another $400,000 of interest rate swaps to expire on January 29, 1992. The Company expects to incur an extraordinary loss in the first quarter 1992 of approximately $15,000, net of income tax credit, related to the write-off of deferred financing costs associated with its previous credit agreement and the cancellation of related interest rate swaps.

QUARTERLY DATA (UNAUDITED)

(In thousands of dollars, except per share amounts)

	Quarter				Total
1991	First (12 weeks)	Second (12 weeks)	Third (16 weeks)	Fourth (12 weeks)	Year (52 weeks)
Sales	$4,907,131	$5,086,387	$6,228,363	$5,128,649	$21,350,530
Merchandise costs	3,789,111	3,922,847	4,812,868	3,955,754	16,480,580
Extraordinary loss	5,426	1,633	2,079	11,701	20,839
Net earnings	5,356	30,599	14,484	29,416	79,855
Earnings (loss) per common share:					
Earnings before extraordinary loss	.12	.36	.18	.46	1.12
Extraordinary loss	(.06)	(.02)	(.02)	(.13)	(.23)
Net earnings per common share	.06	.34	.16	.33	.89
1990					
Sales	$4,558,759	$4,742,387	$5,974,326	$4,985,502	$20,260,974
Merchandise costs	3,551,532	3,654,775	4,637,332	3,826,032	15,669,671
Net earnings (loss)	(10,265)	25,258	464	66,923	82,380
Net earnings (loss) per common share	(.12)	.30	.01	.76	.95

Fourth quarter 1990 net earnings includes a non-recurring net gain of $10,600, or 12 cents per share, consisting of a $16,600 after-tax gain from the sale of an equity investment in an unaffiliated company and $6,000 in tax related to the settlement of prior year tax audits. Fourth quarter 1991 reflects a LIFO charge of $344 compared with a credit of $3,155 in the fourth quarter 1990. The extraordinary loss in the four quarters of 1991 relates to expenses associated with the early retirement of debt.

	Common Stock Price Range			
	1991		1990	
Quarter	High	Low	High	Low
1st	22½	12⅝	16⅛	12
2nd	24½	19⅞	15⅝	11¾
3rd	24½	15⅜	17	12
4th	20	16¼	14⅜	10⅝

Under the restated Credit Agreement dated January 21, 1992, the Company is prohibited from paying cash dividends during the term of the Credit Agreement. The Company is permitted to pay dividends in the form of stock of the Company.

Selected Financial Data

	Fiscal Years Ended				
	December 28, 1991 (52 Weeks)	**December 29, 1990 (52 Weeks)**	**December 30, 1989 (52 Weeks)**	**December 31, 1988 (52 Weeks)**	**January 2, 1988 (52 Weeks)**
	(In thousands of dollars, except per share amounts)				
Sales from continuing operations	**$21,350,530**	$20,260,974	$19,103,671	$19,053,020	$17,659,730
Earnings (loss) from continuing operations before cumulative effect of change in accounting for income taxes and extraordinary loss(B)	**100,694**	83,290	(16,251)	34,522	183,299
Extraordinary loss (net of income tax credit of $12,772 in 1991, $469 in 1990 and $48,105 in 1989)(D)	**(20,839)**	(910)	(56,471)		
Cumulative effect of change in accounting for income taxes					63,345(A)
Net earnings (loss)(B)	**79,855**	82,380	(72,722)	34,522	246,644
Earnings (loss) per share					
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting for income taxes(B)	**1.12**	.96	(.23)	.24	2.20
Extraordinary loss	**(.23)**	(.01)	(.69)		
Cumulative effect of change in accounting for income taxes					.79(A)
Net earnings (loss)(B)	**.89**	.95	(.92)	.24	2.99(A)
Total assets	**4,114,351**	4,118,542	4,241,987	4,613,399	4,460,126
Long-term obligations, including obligations under capital leases	**4,407,764**	4,557,838	4,737,393	4,724,461	986,770
Shareowners' equity (deficit)	**(2,749,183)**	(2,860,461)	(2,965,543)	(2,678,509)	1,133,511
Cash dividends per common share	**(E)**	(E)	(E)	.8225	1.05
Special dividend per common share				48.69(C)	

(A) Represents cumulative effect of change in accounting for income taxes. The Company adopted SFAS No. 96 in 1987.

(B) See Restructuring and Other Credits in the Notes to Consolidated Financial Statements for information pertaining to 1990 and 1989. During the year ended December 31, 1988 the Company recorded a pre-tax provision of $195,000 related to a restructuring plan adopted in the fourth quarter 1988.

(C) Consisted of a $40 cash dividend and a $17 principal amount of a Junior Subordinated Discount Debenture which had an initial market value of $8.69.

(D) See Extraordinary Loss in the Notes to Consolidated Financial Statements.

(E) The Company is prohibited from paying cash dividends under the terms of its restated Credit Agreement.

Executive Officers

Richard L. Bere
President and Chief
Operating Officer

David B. Dillon
Executive Vice President and President,
Dillon Companies, Inc.

Donald F. Dufek
Senior Vice President

Paul W. Heldman
Vice President and General Counsel

Michael S. Heschel
Group Vice President

Robert J. Hodge
Senior Vice President

Lorrence T. Kellar
Group Vice President

Patrick J. Kenney
Senior Vice President

Thomas E. Murphy
Group Vice President

Jack W. Partridge, Jr.
Group Vice President

Joseph A. Pichler
Chairman of the Board and
Chief Executive Officer

William J. Sinkula
Executive Vice President and
Chief Financial Officer

Norma Skoog
Vice President and Secretary

Lawrence M. Turner
Vice President and Treasurer

The Company has a variety of plans designed to allow both employees and general shareowners to acquire stock in Kroger:

EMPLOYEES: Kroger employees and employee benefit plans own shares through pension plans and a profit sharing plan, as well as 401(k) plans and a payroll deduction plan called the Kroger Stock Exchange. If employees have questions concerning their shares in the Kroger Stock Exchange, or if they wish to sell shares they have purchased through this plan, they should contact:

Star Bank, N.A. Cincinnati
P.O. Box 5277
Cincinnati, Ohio 45201
Toll Free 1-800-872-3307

Questions concerning any of the other plans should be directed to the employee's local Human Resources Manager.

GENERAL SHAREOWNERS: Individuals may make commission-free initial cash contributions to purchase Kroger shares through a special plan administered by First Chicago Trust Company of New York. For information concerning this plan, or for questions concerning changes of address, etc., individual shareowners should contact:

First Chicago Trust Company of New York
P.O. Box 3981
New York, New York 10008-3981
1-212-791-6422

for direct deposit of optional cash payments:
Kroger Dividend Reinvestment Cash Controller
P.O. Box 13531
Newark, N.Y. 07188-0001

For information concerning the 15½% Junior Subordinated Discount Debentures Due 2008, contact:

Bankers Trust Company
Corporate Trust and Agency Group
P.O. Box 9006, Church Street Station
New York, New York 10249
1-212-250-6000

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